



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE October 17, 2003

Contact: Andy Nielsen
515/281-5515

Auditor of State David A. Vaudt today released an audit report on the City of Carter Lake, Iowa.

The City's receipts totaled \$2,861,945 for the year ended June 30, 2003, a 16 percent decrease from 2002. The receipts included \$1,046,559 in property tax, \$27,585 in tax increment financing collections, \$313,632 in local option sales tax, \$302,856 from the state, \$6,655 from the federal government and \$12,755 in interest on investments.

Disbursements for the year totaled \$3,462,367, a 9 percent decrease from the prior year, and included \$803,131 for business type activities, \$699,532 for public safety and \$534,420 for culture and recreation.

The significant decrease in receipts and disbursements is primarily due to the completion of library improvements in the prior year.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF CARTER LAKE
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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City of Carter Lake

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Emil Hausner	Mayor	Jan 2006
Eric Bentzinger	Council Member	Jan 2004
George Dahlheimer	Council Member	Jan 2004
Pat Schroeder	Council Member	Jan 2004
Ed Aldmeyer	Council Member	Jan 2006
Russell Kramer	Council Member	Jan 2006
Doreen Mowery	Clerk/Treasurer	Indefinite
Lisa Ruehle	Deputy Clerk	Indefinite
Michael O'Bradovich	Attorney	Indefinite

City of Carter Lake



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Carter Lake, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Carter Lake's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 10, the City of Carter Lake intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements will include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Carter Lake as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2003 on our consideration of the City of Carter Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 7, 2003

Financial Statements

City of Carter Lake
Combined Statement of Cash Transactions
All Fund Types
Year ended June 30, 2003

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Receipts:		
Property tax	\$ 630,635	201,235
Tax increment financing collections	-	27,585
Other city tax	263,611	113,314
Licenses and permits	32,149	-
Use of money and property	34,319	36
Intergovernmental	136,964	265,234
Charges for service	10,086	-
Special assessments	-	-
Miscellaneous	88,799	4,213
Total receipts	<u>1,196,563</u>	<u>611,617</u>
Disbursements:		
Public safety	595,553	103,979
Public works	784	328,939
Health and social services	85	-
Culture and recreation	494,259	40,161
General government	171,423	11,176
Debt service	-	176,590
Capital projects	-	192,009
Business type activities	-	-
Total disbursements	<u>1,262,104</u>	<u>852,854</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(65,541)</u>	<u>(241,237)</u>
Other financing sources (uses):		
Operating transfers in	222,500	-
Operating transfers out	<u>(179,000)</u>	<u>(21,500)</u>
Total other financing sources (uses)	<u>43,500</u>	<u>(21,500)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(22,041)	(262,737)
Balance beginning of year	<u>258,516</u>	<u>240,089</u>
Balance end of year	<u>\$ 236,475</u>	<u>(22,648)</u>

See notes to financial statements.

Types		Proprietary	Total
Debt	Capital	Fund Type	(Memorandum
Service	Projects	Enterprise	Only)
214,689	-	-	1,046,559
-	-	-	27,585
3,631	-	156,816	537,372
-	-	-	32,149
-	-	-	34,355
-	-	-	402,198
-	-	668,505	678,591
7,158	-	-	7,158
-	-	2,966	95,978
225,478	-	828,287	2,861,945
-	-	-	699,532
-	-	-	329,723
-	-	-	85
-	-	-	534,420
-	845	-	183,444
288,554	-	-	465,144
-	254,879	-	446,888
-	-	803,131	803,131
288,554	255,724	803,131	3,462,367
(63,076)	(255,724)	25,156	(600,422)
-	-	335,310	557,810
-	-	(357,310)	(557,810)
-	-	(22,000)	-
(63,076)	(255,724)	3,156	(600,422)
95,850	307,761	101,686	1,003,902
32,774	52,037	104,842	403,480

City of Carter Lake

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Amended Budget
Receipts:		
Property tax	\$ 1,046,559	1,043,134
Tax increment financing collections	27,585	26,500
Other city tax	537,372	553,365
Licenses and permits	32,149	36,725
Use of money and property	34,355	36,650
Intergovernmental	402,198	373,325
Charges for service	678,591	664,175
Special assessments	7,158	6,522
Miscellaneous	95,978	100,888
Total receipts	<u>2,861,945</u>	<u>2,841,284</u>
Disbursements:		
Public safety	699,532	706,277
Public works	329,723	356,419
Health and social services	85	1,000
Culture and recreation	534,420	569,025
General government	183,444	223,315
Debt service	465,144	506,042
Capital projects	446,888	328,242
Business type activities	803,131	860,595
Total disbursements	<u>3,462,367</u>	<u>3,550,915</u>
Deficiency of receipts under disbursements	(600,422)	(709,631)
Balance beginning of year	<u>1,003,902</u>	<u>1,003,903</u>
Balance end of year	<u>\$ 403,480</u>	<u>294,272</u>

See notes to financial statements.

Variance Favorable (Unfavorable)	Actual as % of Amended Budget
3,425	100%
1,085	104%
(15,993)	97%
(4,576)	88%
(2,295)	94%
28,873	108%
14,416	102%
636	110%
(4,910)	95%
20,661	101%
6,745	99%
26,696	93%
915	9%
34,605	94%
39,871	82%
40,898	92%
(118,646)	136%
57,464	93%
88,548	98%

City of Carter Lake
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan	Mar 1, 1994	4.50%	\$ 350,000
Capital loan	Jan 1, 1995	6.25-6.55	280,000
Capital loan	Jun 1, 1999	4.500-5.125	550,000
Capital loan	Dec 1, 2000	4.85-5.80	865,000
Capital loan	May 1, 2001	5.00-5.30	1,200,000
Total			
Urban renewal tax increment financing revenue notes:			
Capital loan	Feb 1, 1999	7.00%	\$ 200,000
Capital loan	Feb 1, 1999	5.00	250,000
Total			
Iowa Community and Rural Development loan	Feb 25, 1991	3.00%	\$ 87,269
Lease-purchase agreements:			
Pickup with plow	Feb 10, 1999	6.55%	\$ 25,513
Street sweeper	Mar 1, 2000	7.57	39,000
Park pickup	Apr 12, 2000	7.20	14,476
Dump truck	Jun 22, 2000	7.30	41,302
Police vehicle	Jul 12, 2000	6.95	20,400
Senior citizens van	Jul 12, 2000	7.20	21,370
Ambulance	Jan 5, 2001	6.295	81,130
Tractor	Jul 20, 2001	6.25	45,785
Telephone system	Jul 5, 2002	13.68	9,437
Police vehicle	Sep 1, 2002	7.00	20,520
Total			

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
100,000	-	50,000	50,000	4,500
110,000	-	25,000	85,000	7,050
460,000	-	55,000	405,000	22,452
865,000	-	140,000	725,000	44,700
1,200,000	-	-	1,200,000	61,492
<u>\$ 2,735,000</u>	<u>-</u>	<u>270,000</u>	<u>2,465,000</u>	<u>140,194</u>
185,000	-	15,000	170,000	12,950
240,000	-	15,000	225,000	12,000
<u>\$ 425,000</u>	<u>-</u>	<u>30,000</u>	<u>395,000</u>	<u>24,950</u>
27,172	-	6,495	20,677	815
3,410	-	3,410	-	112
23,984	-	7,419	16,565	1,815
7,340	-	3,542	3,798	529
17,039	-	8,219	8,820	1,244
6,789	-	6,789	-	472
10,659	-	5,144	5,515	767
71,551	-	10,182	61,369	4,504
29,589	-	14,346	15,243	1,849
-	9,437	1,412	8,025	1,204
-	20,520	10,270	10,250	-
<u>\$ 170,361</u>	<u>29,957</u>	<u>70,733</u>	<u>129,585</u>	<u>12,496</u>

City of Carter Lake

City of Carter Lake

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Carter Lake is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1930 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Carter Lake has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Pottawattamie County Assessor's Conference Board and the Pottawattamie County Joint E911 Service Board.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City.

All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and special assessment long-term debt.

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The City of Carter Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Long-Term Debt

Notes Payable

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 290,000	126,774	30,000	23,150	320,000	149,924
2005	185,000	112,343	30,000	21,350	215,000	133,693
2006	180,000	102,644	35,000	19,550	215,000	122,194
2007	155,000	93,098	35,000	17,500	190,000	110,598
2008	160,000	85,681	40,000	15,450	200,000	101,131
2009	165,000	77,925	40,000	13,150	205,000	91,075
2010	95,000	69,848	45,000	10,850	140,000	80,698
2011	95,000	65,028	45,000	8,200	140,000	73,228
2012	100,000	60,191	45,000	5,550	145,000	65,741
2013	100,000	55,085	50,000	2,900	150,000	57,985
2014	105,000	49,963	-	-	105,000	49,963
2015	105,000	44,538	-	-	105,000	44,538
2016	110,000	39,061	-	-	110,000	39,061
2017	115,000	33,272	-	-	115,000	33,272
2018	120,000	27,153	-	-	120,000	27,153
2019	120,000	20,696	-	-	120,000	20,696
2020	125,000	14,220	-	-	125,000	14,220
2021	140,000	7,420	-	-	140,000	7,420
Total	\$2,465,000	1,084,940	395,000	137,650	2,860,000	1,222,590

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund. However, during the year, \$110,000 of general obligation note principal and \$11,640 of general obligation note interest was paid from the Special Revenue Fund, Urban Renewal Area #3 Account.

The urban renewal tax increment financing revenue notes were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The notes are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from future tax increment financing revenues received by the City.
- (b) Sufficient monthly transfers shall be made to a separate urban renewal revenue note sinking account for the purpose of making the note principal and interest payments when due. The City has not made the required transfers to the sinking account or paid for the notes from the sinking account as required.
- (c) Additional monthly transfers of 25% of the amount required to be deposited each month in the sinking account shall be made to an urban renewal revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of making the note principal and interest payments when the sinking account balance is insufficient.

Iowa Community and Rural Development Loan

On February 25, 1991, the City entered into a loan agreement with the Iowa Department of Economic Development (DED) for the purpose of financing lake level maintenance from DED's Iowa Community and Rural Development Loan Program. The loan of \$87,269 is to be repaid to DED in 15 annual installments which began January 2, 1992 and will end with the final payment on January 2, 2006. The loan bears interest at 3% per annum and the unpaid principal balance at June 30, 2003 totaled \$20,677.

Lease-Purchase Agreements

On February 10, 1999, the City entered into a lease-purchase agreement to purchase a pickup with plow. The total cost was \$25,513 plus 6.55% per annum interest to be financed over a five-year period. During the year ended June 30, 2003, the final payment of \$3,522, including interest, was paid under this agreement.

On March 1, 2000, the City entered into a lease-purchase agreement to purchase a street sweeper. The total cost was \$39,000 plus 7.57% per annum interest to be financed over a five-year period. During the year ended June 30, 2003, \$9,234, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$16,565.

On April 12, 2000, the City entered into a lease-purchase agreement to purchase a Park Department pickup. The total cost was \$14,476 plus 7.20% per annum interest to be financed over a four-year period. During the year ended June 30, 2003, \$4,071, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$3,798.

On June 22, 2000, the City entered into a lease-purchase agreement to purchase a dump truck. The total cost was \$41,302 plus 7.30% per annum interest to be financed over a five-year period. During the year ended June 30, 2003, \$9,463, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$8,820.

On July 12, 2000, the City entered into a lease-purchase agreement to purchase a police vehicle. The total cost was \$20,400 plus 6.95% per annum interest to be financed over a three-year period. During the year ended June 30, 2003, the final payment of \$7,261, including interest, was paid under this agreement.

On July 12, 2000, the City entered into a lease-purchase agreement to purchase a senior citizens van. The total cost was \$21,370 plus 7.20% per annum interest to be financed over a three-year period. During the year ended June 30, 2003, \$5,911, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$5,515.

On January 5, 2001, the City entered into a lease-purchase agreement to purchase an ambulance. The total cost was \$81,130 plus 6.295% per annum interest to be financed over a seven-year period. During the year ended June 30, 2003, \$14,686, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$61,369.

On July 20, 2001, the City entered into a lease-purchase agreement to purchase a tractor. The total cost was \$45,785 plus 6.25% per annum interest to be financed over a two-year period. During the year ended June 30, 2003, \$16,195, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$15,243.

On July 5, 2002, the City entered into a lease-purchase agreement to purchase a telephone system. The total cost was \$9,437 plus 13.68% per annum interest to be financed over a five-year period. During the year ended June 30, 2003, \$2,616, including interest, was paid under this agreement. The principal balance at June 30, 2003 was \$8,025.

On September 1, 2002, the City entered into a lease-purchase agreement to purchase a police vehicle. The total cost was \$20,520 plus 7.00% per annum interest to be financed over a one-year period. During the year ended June 30, 2003, \$10,270 was paid under this agreement. The principal balance at June 30, 2003 was \$10,250.

The following is a schedule of the future minimum rental payments and the present value of the net minimum rental payments under the lease-purchase agreements at June 30, 2003:

Year Ending June 30,	Street Sweeper	Park Pickup	Dump Truck	Senior Citizens Van	Ambulance	Tractor	Telephone System	Police Vehicle	Total
2004	\$ 9,234	4,071	9,463	5,912	14,686	16,195	2,616	11,000	73,177
2005	9,234	-	-	-	14,686	-	2,616	-	26,536
2006	-	-	-	-	14,686	-	2,616	-	17,302
2007	-	-	-	-	14,686	-	2,616	-	17,302
2008	-	-	-	-	14,686	-	-	-	14,686
Total rental payments	18,468	4,071	9,463	5,912	73,430	16,195	10,464	11,000	149,003
Less amount representing interest	(1,903)	(273)	(643)	(397)	(12,061)	(952)	(2,439)	(750)	(19,418)
Principal value of net rental payments	<u>\$16,565</u>	<u>3,798</u>	<u>8,820</u>	<u>5,515</u>	<u>61,369</u>	<u>15,243</u>	<u>8,025</u>	<u>10,250</u>	<u>129,585</u>

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$55,766, \$52,366 and \$47,235, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 26,000
Compensatory time	4,400
Sick leave	<u>65,000</u>
Total	<u>\$ 95,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

(6) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2003, disbursements in the capital projects function exceeded the amount budgeted.

(8) Deficit Balances

The Special Revenue Fund, Urban Renewal Area #1 Series A and Urban Renewal Area #1 Series B Accounts had deficit balances of \$69,715 and \$58,087, respectively, at June 30, 2003. The deficit balances will be eliminated through transfers from other city funds and future tax increment financing collections.

The Special Revenue Fund, Urban Renewal Area #2 and Urban Renewal Area #3 Accounts had deficit balances of \$11,498 and \$106,198, respectively, at June 30, 2003. The deficit balances will be eliminated through future tax increment financing collections.

The Capital Projects Fund, Avenue H Paving Account had a deficit balance of \$17,954 at June 30, 2003. The deficit balance will be eliminated through transfers from other city funds.

The Enterprise Fund, Golf Course Account had a deficit balance of \$92,408 at June 30, 2003. The City plans to eliminate the deficit through collection of an emergency tax levy.

(9) Commitment

The City has contracted for the Avenue H and 9th Street Pump Station project at a cost of \$321,651 plus net change orders of \$8,500. Funding for this project has been provided through the issuance of capital loan notes on May 1, 2001. Payments of \$233,064 were made on this project during the year ended June 30, 2003, with \$97,087 remaining on the contract at year end. Payments will be made as work on the project progresses.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the City’s financial activities.

City of Carter Lake

Financial Statements

City of Carter Lake
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	East Omaha Drainage District #21	Fire Department Gift
Receipts:			
Property tax	\$ 630,635	-	-
Other city tax:			
Local option sales tax	47,045	-	-
Hotel/motel tax	67,691	-	-
Utility tax replacement excise tax	11,086	-	-
Cable franchise fee	12,077	-	-
	137,899	-	-
Licenses and permits:			
Beer and liquor	4,245	-	-
Cigarette	581	-	-
Building	26,193	-	-
Pet	620	-	-
Miscellaneous	510	-	-
	32,149	-	-
Use of money and property:			
Interest on investments	12,679	40	-
Property lease	21,600	-	-
	34,279	40	-
Intergovernmental:			
State allocation	35,101	-	-
Community oriented policing services grant	6,168	-	-
Library open-access program	2,264	-	-
Bank franchise tax	257	-	-
Federal emergency management agency grant	487	-	-
Southwest 8 senior citizens grant	16,200	-	-
Iowa West Foundation grant	2,968	-	-
Miscellaneous	15,340	-	-
	78,785	-	-
Charges for service:			
Animal control	560	-	-
Park and recreation fees	225	-	-
Baseball fees	8,585	-	-
Library charges	716	-	-
	10,086	-	-

Swimming Pool Gift	Community Center	Community Center Capital Improvement	Library Capital Improve- ment	Parks Capital Improvement	Total
-	-	-	-	-	630,635
-	-	-	-	-	47,045
-	-	48,351	-	77,361	193,403
-	-	-	-	-	11,086
-	-	-	-	-	12,077
-	-	48,351	-	77,361	263,611
-	-	-	-	-	4,245
-	-	-	-	-	581
-	-	-	-	-	26,193
-	-	-	-	-	620
-	-	-	-	-	510
-	-	-	-	-	32,149
-	-	-	-	-	12,719
-	-	-	-	-	21,600
-	-	-	-	-	34,319
-	-	-	-	-	35,101
-	-	-	-	-	6,168
-	-	-	-	-	2,264
-	-	-	-	-	257
-	-	-	-	-	487
-	-	-	-	-	16,200
-	-	-	34,650	23,529	61,147
-	-	-	-	-	15,340
-	-	-	34,650	23,529	136,964
-	-	-	-	-	560
-	-	-	-	-	225
-	-	-	-	-	8,585
-	-	-	-	-	716
-	-	-	-	-	10,086

City of Carter Lake
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	East Omaha Drainage District #21	Fire Department Gift
Receipts (continued):			
Miscellaneous:			
Traffic and parking fines	715	-	-
Court fines	19,571	-	-
Drainage assessments	-	2,000	-
Concession sales	24,368	-	-
Insurance settlements	4,200	-	-
Donations and contributions	1,725	-	5
Refunds	13,171	-	-
Reimbursements	8,646	-	-
Miscellaneous	6,891	-	-
	<u>79,287</u>	<u>2,000</u>	<u>5</u>
Total receipts	<u>1,003,120</u>	<u>2,040</u>	<u>5</u>
Disbursements:			
Public safety:			
Police:			
Personal services	377,792	-	-
Services and commodities	79,496	-	-
Capital outlay	12,053	-	-
Equipment lease-purchase payments:			
Principal	17,059	-	-
Interest	472	-	-
	<u>486,872</u>	<u>-</u>	<u>-</u>
Building inspector:			
Services and commodities	<u>17,871</u>	<u>-</u>	<u>-</u>
Fire:			
Services and commodities	41,266	-	612
Capital outlay	12,730	-	-
	<u>53,996</u>	<u>-</u>	<u>612</u>
Ambulance:			
Services and commodities	3,343	-	-
Capital outlay	5,784	-	-
Equipment lease-purchase payments:			
Principal	10,182	-	-
Interest	4,504	-	-
	<u>23,813</u>	<u>-</u>	<u>-</u>
Disaster control:			
Services and commodities	<u>120</u>	<u>-</u>	<u>-</u>

Swimming Pool Gift	Community Center	Community Center Capital Improvement	Library Capital Improve- ment	Parks Capital Improvement	Total
-	-	-	-	-	715
-	-	-	-	-	19,571
-	-	-	-	-	2,000
-	-	-	-	-	24,368
-	-	-	-	-	4,200
-	942	-	2,625	-	5,297
-	-	-	-	-	13,171
-	-	-	-	-	8,646
-	3,645	-	-	295	10,831
-	4,587	-	2,625	295	88,799
-	4,587	48,351	37,275	101,185	1,196,563
-	-	-	-	-	377,792
-	-	-	-	-	79,496
-	-	-	-	-	12,053
-	-	-	-	-	17,059
-	-	-	-	-	472
-	-	-	-	-	486,872
-	-	-	-	-	17,871
-	-	-	-	-	41,878
-	-	-	-	-	12,730
-	-	-	-	-	54,608
-	-	-	-	-	3,343
-	-	-	-	-	5,784
-	-	-	-	-	10,182
-	-	-	-	-	4,504
-	-	-	-	-	23,813
-	-	-	-	-	120

City of Carter Lake
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	East Omaha Drainage District #21	Fire Department Gift
Disbursements (continued):			
Public safety:			
Animal control:			
Personal services	9,038	-	-
Services and commodities	2,873	-	-
Capital outlay	358	-	-
	<u>12,269</u>	<u>-</u>	<u>-</u>
	594,941	-	612
Public works:			
Traffic control and safety:			
Services and commodities	784	-	-
Health and social services:			
Weed control:			
Services and commodities	85	-	-
Culture and recreation:			
Library:			
Personal services	64,950	-	-
Services and commodities	27,256	-	-
Capital outlay	22,213	-	-
	<u>114,419</u>	<u>-</u>	<u>-</u>
Parks and recreation:			
Personal services	13,971	-	-
Services and commodities	40,423	-	-
Capital outlay	-	-	-
Equipment lease-purchase payments:			
Principal	3,542	-	-
Interest	529	-	-
	<u>58,465</u>	<u>-</u>	<u>-</u>
Resource center:			
Personal services	31,416	-	-
Services and commodities	29,155	-	-
Capital outlay	356	-	-
	<u>60,927</u>	<u>-</u>	<u>-</u>
Senior citizens:			
Personal services	29,417	-	-
Services and commodities	14,620	-	-
	<u>44,037</u>	<u>-</u>	<u>-</u>
	<u>278,717</u>	<u>-</u>	<u>-</u>

Swimming Pool Gift	Community Center	Community Center Capital Improvement	Library Capital Improve- ment	Parks Capital Improvement	Total
-	-	-	-	-	9,038
-	-	-	-	-	2,873
-	-	-	-	-	358
-	-	-	-	-	12,269
-	-	-	-	-	595,553
-	-	-	-	-	784
-	-	-	-	-	85
-	-	-	-	-	64,950
-	-	-	21,544	-	48,800
-	-	-	65,900	-	88,113
-	-	-	87,444	-	201,863
-	-	-	-	70,387	84,358
-	-	-	-	26,022	66,445
-	-	-	-	23,529	23,529
-	-	-	-	-	3,542
-	-	-	-	-	529
-	-	-	-	119,938	178,403
-	-	-	-	-	31,416
-	9,029	-	-	-	38,184
-	-	-	-	-	356
-	9,029	-	-	-	69,956
-	-	-	-	-	29,417
-	-	-	-	-	14,620
-	-	-	-	-	44,037
-	9,029	-	87,444	119,938	494,259

City of Carter Lake
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	East Omaha Drainage District #21	Fire Department Gift
Disbursements (continued):			
General government:			
Legislative:			
Personal services	13,693	-	-
Services and commodities	10,765	-	-
	24,458	-	-
Executive:			
Personal services	12,000	-	-
Services and commodities	2,265	-	-
Equipment lease-purchase payments:			
Principal	5,144	-	-
Interest	767	-	-
	20,176	-	-
Financial:			
Personal services	41,969	-	-
Services and commodities	39,725	-	-
Capital outlay	3,895	-	-
Equipment lease-purchase payments:			
Principal	1,412	-	-
Interest	1,204	-	-
	88,205	-	-
Other:			
Services and commodities	38,584	-	-
	171,423	-	-
Total disbursements	1,045,081	-	612
Excess (deficiency) of receipts over (under) disbursements	(41,961)	2,040	(607)
Other financing sources (uses):			
Operating transfers in (out):			
General:			
General	-	-	-
Community Center Capital Improvement	51,000	-	-
Special Revenue:			
Urban Renewal Area #1 Series A	1,500	-	-

Swimming Pool Gift	Community Center	Community Center Capital Improvement	Library Capital Improve- ment	Parks Capital Improvement	Total
-	-	-	-	-	13,693
-	-	-	-	-	10,765
-	-	-	-	-	24,458
-	-	-	-	-	12,000
-	-	-	-	-	2,265
-	-	-	-	-	5,144
-	-	-	-	-	767
-	-	-	-	-	20,176
-	-	-	-	-	41,969
-	-	-	-	-	39,725
-	-	-	-	-	3,895
-	-	-	-	-	1,412
-	-	-	-	-	1,204
-	-	-	-	-	88,205
-	-	-	-	-	38,584
-	-	-	-	-	171,423
-	9,029	-	87,444	119,938	1,262,104
-	(4,442)	48,351	(50,169)	(18,753)	(65,541)
-	-	(51,000)	-	-	(51,000)
-	-	-	-	-	51,000
-	-	-	-	-	1,500

City of Carter Lake
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	East Omaha Drainage District #21	Fire Depart- ment Gift
Other financing sources (uses) (continued):			
Operating transfers in (out):			
Enterprise:			-
Water	55,000	-	-
Sewer Rental	90,000	-	-
Garbage	25,000	-	-
Total other financing sources (uses)	222,500	-	-
Excess (deficiency) of receipts and other financing sources over (under)			
disbursements and other financing uses	180,539	2,040	(607)
Balance beginning of year	(43,869)	4,883	1,015
Balance end of year	\$ 136,670	6,923	408

See accompanying independent auditor's report.

Swimming Pool Gift	Community Center	Community Center Capital Improvement	Library Capital Improve- ment	Parks Capital Improve- ment	Total
-	-	(128,000)	-	-	(73,000)
-	-	-	-	-	90,000
-	-	-	-	-	25,000
-	-	(179,000)	-	-	43,500
-	(4,442)	(130,649)	(50,169)	(18,753)	(22,041)
501	10,321	142,777	50,538	92,350	258,516
501	5,879	12,128	369	73,597	236,475

City of Carter Lake
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Employees' Retirement	Emergency	Police Forfeiture
Receipts:				
Property tax	\$ -	181,560	19,675	-
Tax increment financing collections	-	-	-	-
Other city tax:				
Utility tax replacement excise tax	-	3,197	346	-
Local option sales tax	109,771	-	-	-
	109,771	3,197	346	-
Use of money and property:				
Interest on investments	-	-	-	36
Intergovernmental:				
Road use tax allocation	264,430	-	-	-
State allocation	-	724	80	-
	264,430	724	80	-
Miscellaneous	-	-	-	1,113
Total receipts	374,201	185,481	20,101	1,149
Disbursements:				
Public safety:				
Police:				
Personal services	-	101,099	-	-
Fire:				
Personal services	-	1,112	-	-
Building inspector:				
Personal services	-	469	-	-
Animal control:				
Personal services	-	1,299	-	-
	-	103,979	-	-
Public works:				
Roads, bridges, sidewalks:				
Personal services	113,415	-	-	-
Services and commodities	82,288	-	-	-
Capital outlay	16,538	-	-	-
Equipment lease-purchase payments:				
Principal redemption	33,394	-	-	-
Interest	5,020	-	-	-
	250,655	-	-	-
Street lighting:				
Services and commodities	78,284	-	-	-
	328,939	-	-	-

Urban Renewal Area #1 Series A	Urban Renewal Area #1 Series B	Urban Renewal Area #2	Urban Renewal Area #3	Urban Renewal Sinking	Urban Renewal Reserve	Total
-	-	-	-	-	-	201,235
27,585	-	-	-	-	-	27,585
-	-	-	-	-	-	3,543
-	-	-	-	-	-	109,771
-	-	-	-	-	-	113,314
-	-	-	-	-	-	36
-	-	-	-	-	-	264,430
-	-	-	-	-	-	804
-	-	-	-	-	-	265,234
-	-	-	3,100	-	-	4,213
27,585	-	-	3,100	-	-	611,617
-	-	-	-	-	-	101,099
-	-	-	-	-	-	1,112
-	-	-	-	-	-	469
-	-	-	-	-	-	1,299
-	-	-	-	-	-	103,979
-	-	-	-	-	-	113,415
-	-	-	-	-	-	82,288
-	-	-	-	-	-	16,538
-	-	-	-	-	-	33,394
-	-	-	-	-	-	5,020
-	-	-	-	-	-	250,655
-	-	-	-	-	-	78,284
-	-	-	-	-	-	328,939

City of Carter Lake
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Employees' Retirement	Emergency	Police Forfeiture
Disbursements (continued):				
Culture and recreation:				
Library:				
Personal services	-	9,305	-	-
Parks and recreation:				
Personal services	-	18,766	-	-
Senior citizens:				
Personal services	-	4,107	-	-
Resource center:				
Personal services	-	7,983	-	-
	-	40,161	-	-
General government:				
Legislative:				
Personal services	-	1,117	-	-
Executive:				
Personal services	-	918	-	-
Administrative:				
Personal services	-	9,141	-	-
	-	11,176	-	-
Debt service:				
Principal redemption	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
Capital projects:				
Capital outlay	-	-	-	-
Total disbursements	328,939	155,316	-	-
Excess (deficiency) of receipts over (under) disbursements	45,262	30,165	20,101	1,149
Other financing uses:				
Operating transfers out:				
General:				
General	-	-	-	-
Enterprise:				
Golf Course	-	-	(20,000)	-
Total other financing uses	-	-	(20,000)	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	45,262	30,165	101	1,149
Balance beginning of year	74,808	(14,454)	1,378	2,090
Balance end of year	\$ 120,070	15,711	1,479	3,239

See accompanying independent auditor's report.

Urban Renewal Area #1 Series A	Urban Renewal Area #1 Series B	Urban Renewal Area #2	Urban Renewal Area #3	Urban Renewal Sinking	Urban Renewal Reserve	Total
-	-	-	-	-	-	9,305
-	-	-	-	-	-	18,766
-	-	-	-	-	-	4,107
-	-	-	-	-	-	7,983
-	-	-	-	-	-	40,161
-	-	-	-	-	-	1,117
-	-	-	-	-	-	918
-	-	-	-	-	-	9,141
-	-	-	-	-	-	11,176
15,000	15,000	-	110,000	-	-	140,000
12,950	12,000	-	11,640	-	-	36,590
27,950	27,000	-	121,640	-	-	176,590
-	-	-	192,009	-	-	192,009
27,950	27,000	-	313,649	-	-	852,854
(365)	(27,000)	-	(310,549)	-	-	(241,237)
(1,500)	-	-	-	-	-	(1,500)
-	-	-	-	-	-	(20,000)
(1,500)	-	-	-	-	-	(21,500)
(1,865)	(27,000)	-	(310,549)	-	-	(262,737)
(67,850)	(31,087)	(11,498)	204,351	37,351	45,000	240,089
(69,715)	(58,087)	(11,498)	(106,198)	37,351	45,000	(22,648)

Schedule 3

City of Carter Lake
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

Receipts:	
Property tax	\$ 214,689
Other city tax:	
Utility tax replacement excise tax	3,631
Special assessments	<u>7,158</u>
Total receipts	<u>225,478</u>
Disbursements:	
Debt service:	
Principal redeemed	160,000
Interest paid	<u>128,554</u>
Total disbursements	<u>288,554</u>
Deficiency of receipts under disbursements	(63,076)
Balance beginning of year	<u>95,850</u>
Balance end of year	<u><u>\$ 32,774</u></u>

See accompanying independent auditor's report.

City of Carter Lake
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Miscellaneous Bond #1	Miscellaneous Bond #2	Avenue H Paving	Total
Receipts:				
None	\$ -	-	-	-
Disbursements:				
General government:				
Services and commodities	845	-	-	845
Capital projects:				
Services and commodities	21,815	-	-	21,815
Capital outlay	233,064	-	-	233,064
	254,879	-	-	254,879
Total disbursements	255,724	-	-	255,724
Deficiency of receipts under disbursements	(255,724)	-	-	(255,724)
Balance beginning of year	324,774	941	(17,954)	307,761
Balance end of year	\$ 69,050	941	(17,954)	52,037

See accompanying independent auditor's report.

City of Carter Lake
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Water Capital Improvement	Water Taps
Receipts:			
Other city tax:			
Local option sales tax	\$ -	78,408	-
Charges for service:			
Metered water sales	241,272	-	-
Hook-up fees	-	3,000	-
Water taps	-	-	8,226
Sewer rental fees	-	-	-
Garbage collection fees	-	-	-
	<u>241,272</u>	<u>3,000</u>	<u>8,226</u>
Miscellaneous	-	-	-
Total receipts	<u>241,272</u>	<u>81,408</u>	<u>8,226</u>
Disbursements:			
Business type activities:			
Personal services	78,299	-	-
Services and commodities	250,936	37,252	25,508
Capital outlay	-	-	-
Iowa community and rural development loan repayment:			
Principal redeemed	-	-	-
Interest	-	-	-
Total disbursements	<u>329,235</u>	<u>37,252</u>	<u>25,508</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(87,963)</u>	<u>44,156</u>	<u>(17,282)</u>
Other financing sources (uses):			
Operating transfers in (out):			
General:			
General	(55,000)	-	-
Community Center Capital Improvement	128,000	-	-
Special Revenue:			
Emergency	-	-	-

Utility Customer Guarantee Deposit	Sewer Rental	Sewer Capital Improve- ment	Garbage	Golf Course	Total
-	-	78,408	-	-	156,816
-	-	-	-	-	241,272
-	-	6,649	-	-	9,649
-	-	-	-	-	8,226
-	246,901	-	-	-	246,901
-	-	-	162,457	-	162,457
-	246,901	6,649	162,457	-	668,505
2,966	-	-	-	-	2,966
2,966	246,901	85,057	162,457	-	828,287
-	17,438	-	-	-	95,737
731	212,608	-	127,599	-	654,634
-	45,450	-	-	-	45,450
-	-	6,495	-	-	6,495
-	-	815	-	-	815
731	275,496	7,310	127,599	-	803,131
2,235	(28,595)	77,747	34,858	-	25,156
-	(90,000)	-	(25,000)	-	(170,000)
-	-	-	-	-	128,000
-	-	-	-	20,000	20,000

City of Carter Lake
Combining Schedule of Cash Transactions
Enterprise Funds
Year Ended June 30, 2003

	Water	Water Capital Improvement	Water Taps
Other financing sources (uses) (continued):			
Operating transfers in (out):			
Enterprise:			
Water	-	(55,000)	-
Water Capital Improvement	55,000	-	-
Sewer Rental	-	-	-
Sewer Capital Improvement	-	-	-
Total other financing sources (uses)	128,000	(55,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	40,037	(10,844)	(17,282)
Balance beginning of year	(21,665)	21,061	18,980
Balance end of year	\$ 18,372	10,217	1,698

See accompanying independent auditor's report.

Utility Customer Guarantee Deposit	Sewer Rental	Sewer Capital Improve- ment	Garbage	Golf Course	Total
-	-	-	-	-	(55,000)
-	-	-	-	-	55,000
-	-	(107,690)	-	-	(107,690)
-	107,690	-	-	-	107,690
-	17,690	(107,690)	(25,000)	20,000	(22,000)
2,235	(10,905)	(29,943)	9,858	20,000	3,156
23,468	48,410	34,553	89,287	(112,408)	101,686
25,703	37,505	4,610	99,145	(92,408)	104,842

City of Carter Lake

Note Maturities

June 30, 2003

Year Ending June 30,	General Obligation Notes					
	Capital Loan Notes		Capital Loan Notes		Capital Loan Notes	
	Issued Mar 1, 1994		Issued Jan 1, 1995		Issued Jun 1, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2004	4.50%	\$ 50,000	6.35%	\$ 25,000	5.125%	\$ 60,000
2005		-	6.45	30,000	5.125	65,000
2006		-	6.55	30,000	5.125	65,000
2007		-		-	4.500	70,000
2008		-		-	4.600	70,000
2009		-		-	4.700	75,000
2010		-		-		-
2011		-		-		-
2012		-		-		-
2013		-		-		-
2014		-		-		-
2015		-		-		-
2016		-		-		-
2017		-		-		-
2018		-		-		-
2019		-		-		-
2020		-		-		-
2021		-		-		-
Total		<u>\$ 50,000</u>		<u>\$ 85,000</u>		<u>\$ 405,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Notes				
	Capital Loan Notes		Capital Loan Notes		Total
	Issued Feb 1, 1999		Issued Feb 1, 1999		
	Interest Rates	Amount	Interest Rates	Amount	
2004	7.00%	\$ 15,000	5.00%	\$ 15,000	\$ 30,000
2005	7.00	15,000	5.00	15,000	30,000
2006	7.00	15,000	5.00	20,000	35,000
2007	7.00	15,000	5.00	20,000	35,000
2008	7.00	15,000	5.00	25,000	40,000
2009	7.00	15,000	5.00	25,000	40,000
2010	7.00	20,000	5.00	25,000	45,000
2011	7.00	20,000	5.00	25,000	45,000
2012	7.00	20,000	5.00	25,000	45,000
2013	7.00	20,000	5.00	30,000	50,000
Total		\$170,000		\$ 225,000	\$ 395,000

See accompanying independent auditor's report.

Capital Loan Notes Issued Dec 1, 2000		Capital Loan Notes Issued May 1, 2001		Total
Interest Rates	Amount	Interest Rates	Amount	
4.85%	\$ 155,000		\$ -	\$ 290,000
4.85	45,000	5.00%	45,000	185,000
5.00	35,000	5.00	50,000	180,000
5.05	35,000	5.00	50,000	155,000
5.10	35,000	5.00	55,000	160,000
5.15	35,000	5.00	55,000	165,000
5.20	35,000	5.00	60,000	95,000
5.25	35,000	5.00	60,000	95,000
5.30	35,000	5.00	65,000	100,000
5.35	35,000	5.00	65,000	100,000
5.40	35,000	5.05	70,000	105,000
5.45	35,000	5.10	70,000	105,000
5.50	35,000	5.15	75,000	110,000
5.60	35,000	5.20	80,000	115,000
5.70	35,000	5.25	85,000	120,000
5.75	35,000	5.25	85,000	120,000
5.80	35,000	5.30	90,000	125,000
-	-	5.30	140,000	140,000
	<u>\$725,000</u>		<u>\$1,200,000</u>	<u>\$ 2,465,000</u>

Schedule 7

City of Carter Lake
Comparison of Taxes and Intergovernmental Receipts
June 30, 2003

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 1,046,559	1,045,156	884,339	749,880
Tax increment financing collections	27,585	70,882	11,070	4,199
Other city tax:				
Local option sales tax	313,632	307,733	360,942	301,680
Hotel/motel tax	193,403	210,216	138,887	126,566
Utility tax replacement excise tax	18,260	19,750	16,458	-
Cable franchise fee	12,077	11,759	16,533	9,437
	537,372	549,458	532,820	437,683
Intergovernmental:				
State allocation	35,905	37,699	40,476	40,596
Road use tax	264,430	260,157	257,737	259,568
Grants/loans	86,266	550,830	22,360	80,654
Miscellaneous	15,597	32,370	17,947	709
	402,198	881,056	338,520	381,527
Total	\$ 2,013,714	2,546,552	1,766,749	1,573,289

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and on
Internal Control Over Financial Reporting**

City of Carter Lake



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Carter Lake, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 7, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Carter Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2), (7) and (11).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carter Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. Prior year reportable conditions have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carter Lake and other parties to whom the City of Carter Lake may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carter Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 7, 2003

City of Carter Lake
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

City of Carter Lake

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, as necessary and required.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on numerous occasions during the year. However, the minutes record did not always document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – We will comply with the Code requirements for closed sessions.

Conclusion – Response accepted.

City of Carter Lake

Schedule of Findings

Year ended June 30, 2003

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- (9) Revenue Notes – The City has established the sinking and reserve accounts required by the urban renewal tax increment financing revenue note resolutions. However, the City has not made the required transfers to the sinking account or paid for the notes from the sinking account as required.

Recommendation – The City should make the required transfers to the sinking account and pay for the notes from the sinking account.

Response – We will make the required transfers and pay the debt from the sinking account as required.

Conclusion – Response accepted.

- (10) Payment of General Obligation Notes – Certain general obligation notes were paid from the Special Revenue Fund, Urban Renewal Area #3 Account. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund."

Recommendation – The City should transfer from the Special Revenue Fund, Urban Renewal Area #3 Account to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response – We will make the recommended transfers and pay all general obligation debt from the Debt Service Fund.

Conclusion – Response accepted.

- (11) Financial Condition – At June 30, 2003, the City had deficit balances in the following accounts:

Fund/Account	Amount
Special Revenue:	
Urban Renewal Area #1 Series A	\$ 69,715
Urban Renewal Area #1 Series B	58,087
Urban Renewal Area #2	11,498
Urban Renewal Area #3	106,198
Capital Projects:	
Avenue H Paving	17,954
Enterprise:	
Golf Course	92,408

City of Carter Lake

Schedule of Findings

Year ended June 30, 2003

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – The Council intends to let the urban renewal accounts operate on their own with the understanding that it will take several years for the urban renewal taxes to catch up with disbursements. The Avenue H project account will be left as is in case the project is renewed. The golf course account will take approximately five years to close using the special emergency levy.

Conclusion – Response accepted.

City of Carter Lake

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Sheila Jensen, Staff Auditor
Kip Druecker, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State